



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 3/7/2008

GAIN Report Number: MX8016

Mexico

Agricultural Situation

Weekly Highlights and Hot Bites #10

2008

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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico City [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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REOPENING NAFTA WOULD HAVE CONSEQUENCES

A renegotiation of NAFTA would bring negative consequences to Mexico, informed the former Secretary of Commerce Herminio Blanco, who was the main negotiator of the agreement during the 90's. "I believe that NAFTA is functioning well, and there is no need to reopen any negotiation," said Blanco. "If Mexico requests that corn be renegotiated then what would the United States sit down to negotiate," asked Blanco. "They would request that avocados, tomatoes and other horticultural products, which have been successful, be closed because Mexico has displaced the U.S. producers of these agricultural products," added Blanco. (Source: Reforma; 03/03/08)

THERE WILL BE ENOUGH CORN FOR INTERNAL CONSUMPTION: GRUMA

"The expected corn crop in 2008 will be enough to take care of the consumption needs in the country," said Jose de la Peña, Deputy Director of the Presidency of MASECA (GRUMA), which is the main producer of corn meal in Mexico. "We expect that the volume obtained from the harvest will meet the demands of the country," added de la Peña. He estimated that the production of white corn – the one used for human consumption – in the state of Sinaloa will be five million tons or 20% of the national total. At the same time, de la Peña indicated that MASECA invited the corn producers of Venezuela to explain techniques they have used to increase productivity. GRUMA will invest U.S. \$70 million over two years to expand in Latin America. (Source: La Jornada; 03/03/08).

THE DIALOGUE BETWEEN FARMERS AND THE GOVERNMENT FAILS

Leaders of several farmer organizations confirmed that the dialogue with the Government of Mexico on NAFTA failed. Victor Suarez, from the campaign "Without Corn There is No Country", confirmed that now he will focus on Congress so that they can demand the President to modify NAFTA. Suarez warned that another meeting with the Federal Government would not be easy. "We, in the farmer's movement, are going to plan a project of action; among those, a national strike next August if there is no answer to our demands," warned Suarez. "Nothing was solved, and they did not fix anything", stated Cruz Lopez, Leader of the National Farmers League (CNC). Federico Ovalle, of the National Commission of Rural and Fisheries Organizations, said that Secretary of Interior, Juan Camilo Muriño, showed his disposition for a dialogue without fixing their demands. "We were disappointed because their facts contradict their words," said Ovalle. "We were in a meeting to talk and define the agenda but nothing was done. They never said they accepted our agenda, or if they agree to withdraw the false media publicity of NAFTA," finished Ovalle. At the negotiation table, Muriño was accompanied by the Secretaries of Economy, Eduardo Sojo; Agriculture, Alberto Cardenas; and Labor, Javier Lozano. In the meeting, which lasted a little

more than an hour, 27 representatives of different farmer, labor and civil organizations were present. (Source: Reforma: 03/06/2008)

THE UNITED STATES WON'T RENEGOTIATE NAFTA: JEFFREY DAVIDOW

The former U.S. Ambassador to Mexico, Jeffrey Davidow, assured that his country will not renegotiate the North American Free Trade Agreement. Moreover, he said there should be more commercial coexistence between the two countries. "Frankly, I believe no matter who is elected President of the United States, there won't be a renegotiation," said Davidow. During his participation in "A New Business Vision" with the Mexican Congress, Davidow declared there is an important discussion between the presidential candidates about NAFTA and NASDAQ. However, he assured that there is nothing wrong or backwards with the agreement. "NAFTA has been good for the three North American countries, but there are a few sectors that are not seeing the benefits," Davidow ended. (Source: El Financiero; 03/07/2008)

ANTI-SMOKING LAW WILL AFFECT MEXICAN TOBACCO PRODUCTION AREAS

Because of the recently approved law that regulates smoking in public areas, tobacco growers are concerned that their industry will disappear and force them to either move abroad or change crops. Tobacco is mainly produced in the states of Nayarit, Veracruz, Chiapas, Tabasco, Campeche and Quintana Roo, where a long tradition of cigarette and cigar production exists. Leaders of several agricultural organizations claim that over one million producers of tobacco will be out of business because of the law that rigorously limits smoking in public areas. They demand the GOM help them transform tobacco plantations into productive areas of other crops before the situation becomes critical. They also demand financing, which could be used to enhance productivity of these alternate crops. (Source: Unomasuno; 3/1/08)

MEXICAN GOVERNORS IN FAVOR OF ANALYZING AND ADJUSTING NAFTA

The National Conference of Mexican State Governors (CONAGO) stated the need to deeply analyze and discuss the true effects of NAFTA and submit appropriate solutions. According to CONAGO members, NAFTA is a tool that can be reviewed by authorities and agricultural agents in search of feasible solutions. They recommended differentiating yellow and white corn prices; setting up a strategic stock of white corn, beans and sugar; integrating regional production and consumer groups; promoting the use of organic fertilizers and enhancing rural storage and logistics infrastructure. They also offered to work hand-in-hand with the federal government in strategic planning and budget allocation for the agricultural sector. (Source: Milenio; 3/2/08)

NAFTA CREATES OPPORTUNITIES FOR RURAL ENTREPRENEURS

According to the Mexican Ministry of Agriculture (SAGARPA), small and medium businesses (SMB's) in the agricultural sector should take advantage of the opportunities created by NAFTA to access the U.S. and Canadian markets. A recently published analysis from SAGARPA shows that fruit and vegetable exports from Mexico have grown four times in the 1990-2007 period, placing Mexico as the seventh largest fresh produce exporter in the world. Mexico uses 4% of its territory to produce fruits and vegetables, and exports 20% of the total production. Main products exported include: avocados, onions, peppers, mangoes, grapes, limes, meat, organic produce and flowers. The analysis also recommends that growers should focus on products with comparative or competitive advantages, and producers are reminded that they have to meet higher quality and safety standards. (Source: Excelsior; 3/2/08)

GOM ANNOUNCES A CUSTOM FACILITIES' IMPROVEMENT PROJECT

Mexico's Revenue Service (SAT), which includes the Mexican Customs Authority, announced a project to improve and modernize the country's 49 custom's facilities with an investment of nearly U.S. \$730 million. The idea is to reduce the costs associated with the import/export process. The project even considers a paper-less facility, using state-of-the-art technology, like cameras and face-recognition software. According to Roberto Ramirez, Head of the Customs Operations Branch, nearly 5,000 cameras will be installed. SAT also announced a series of training courses for their staff, as well as the harmonization of custom's procedures throughout the country. (Source: Reforma; 3/3/08)

MEAT INDUSTRY DENOUNCES LACK OF COMPETITIVENESS STRATEGY

Eugenio Salinas, President of the Mexican Meat Council (COMECARNE), criticized the GOM's position on enhancing the competitiveness of the meat industry. He claims there is no collaboration between the different government agencies related to international trade - Agriculture, Health, Customs, Economy, Environment, Defense and Security. COMECARNE suggested reducing transport costs generated by sanitary restrictions between different regions, improving cold chain preservation in security checkpoints, and increasing Mexican products promotion. (Source: El Universal; 3/3/08)

CORN IMPORTS WILL DECLINE: MASECA

Alfonso Cebreros, Director for Government Affairs of MASECA, Mexico's largest tortilla producer and corn processor, announced that they forecast a reduction in corn imports of up to one million MT. Cebreros explained that domestic production is expected to be near 22 MMT, which is enough to cover human-consumption demand and even some feed requirements. Meanwhile, tortilla consumption is down from an average of 120 kilos per capita in 1994 to 90 kilos in 2005. He also commented on how utility costs are affecting tortilla production costs, and how that pressures the market. (Source: El Financiero; 3/5/08)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX8012	Weekly Highlights and Hot Bites #8	2/22/08
MX8011	Weekly Highlights and Hot Bites #7	2/15/08
MX8010	Grain Import Update	2/14/08
MX8009	Dairy Preparations	2/12/08
MX8008	Dairy WTO	2/12/08
MX8007	U.S. Entry for Table Grapes	2/8/08
MX8006	Weekly Highlights and Hot Bites #6	2/8/08
MX8005	Weekly Highlights and Hot Bites #5	2/1/08
MX8004	Weekly Highlights and Hot Bites #4	1/25/08
MX8003	Weekly Highlights and Hot Bites #3	1/22/08
MX8002	Weekly Highlights and Hot Bites #2	1/14/08
MX8001	Weekly Highlights and Hot Bites #1	1/4/08

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